

MINUTES OF MEETING
STATE OF WISCONSIN
EMPLOYEE TRUST FUNDS BOARD

Friday, December 12, 2003

Sheraton Madison Hotel
706 John Nolen Drive
Madison, Wisconsin

BOARD PRESENT:

Marilyn Wigdahl, Chair
John Brown
Theron Fisher
Rick Gale
Wayne Koessl, Vice Chair
Kathleen Kreul
Irena Macek
Wayne McCaffery
Robert Niendorf, Secretary
Nancy Thompson
Cynthia Van Bogaert
John Vincent (*representing Karen Timberlake*)

BOARD NOT PRESENT:

None

PARTICIPATING ETF STAFF:

Eric Stanchfield, Secretary
Dave Stella, Executive Assistant
Julie Reneau, Administrator, Division of Retirement Services
Audrey Koehn, Disability Programs Bureau
Christina Licari, Board Liaison
Sharon Walk, Board Liaison
Robert Weber, Chief Legal Counsel

OTHERS PRESENT:

Bill Ford, Legislative Council
Brian Fusie, Office of State Employment Relations
Charlotte Gibson, Department of Justice
Jane Hamblen, Department of Justice
Norm Jones, Gabriel, Roeder, Smith & Company
Jon Kranz, Department of Administration
Brian Murphy, Gabriel, Roeder, Smith & Company

Marilyn Wigdahl, Chair, called the meeting to order at 8:30 a.m.

CONSIDERATION OF PREVIOUS MEETING MINUTES

Motion: Ms. Thompson moved approval of the minutes of the September 26, 2003, meetings as submitted by the Board Liaison. Mr. Brown seconded the motion, which passed without objection on a voice vote.

RETIREMENT STATISTICS SUMMARY REPORT

(Included for the Board's information.) Ms. Reneau reviewed the *Wisconsin Retirement System (WRS) Retirement Statistics Annuity Statistical Report* that was included in the Board packet. She noted that the number of completed retirement estimates has declined in conjunction with decreased staffing due to that area of the Department losing six project positions. She also noted that money purchase retirements continue to outnumber formula benefit retirements, but that the Department anticipates that formula benefits will gradually outnumber money purchase benefits.

WISCONSIN RETIREMENT SYSTEM THREE-YEAR EXPERIENCE STUDY: JANUARY 1, 2000-DECEMBER 31, 2002

Ms. Reneau introduced Norm Jones and Brian Murphy of Gabriel, Roeder, Smith & Company (GRS); actuary for the DETF. Mr. Jones and Mr. Murphy reviewed the report, *Wisconsin Retirement System Three-Year Experience Study: January 1, 2000-December 31, 2002*. They noted that the recommended changes are small, and that the decrement changes were partially offset by economic changes. Based on the results of this study, the actuary recommended adjustments to the economic and decrement assumptions. These changes would lower the interest assumption from 8% to 7.8% and the wage inflation assumption from 4.5% to 4.1%.

Motion: Ms. Van Bogaert moved acceptance of the WRS Three-Year Experience Study: January 1, 2000-December 31, 2002 and adoption of the economic and decrement assumption changes. Mr. Gale seconded the motion, which carried without objection on a voice vote.

Ms. Reneau confirmed that the resulting changes to present value factors, money purchase factors or option factors would take effect October 1, 2004, as recommended by the actuary.

HEARING EXAMINER, OUTSIDE COUNSEL, DEPARTMENT OF EMPLOYEE TRUST FUNDS COUNSEL SERVICES TO BOARD AND DEPARTMENT

Mr. Stella discussed the status of the Department's agreement with the Division of Hearings and Appeals for services to the Boards. He noted that the agreement began just over one year ago and that an annual review process was part of the agreement. He added that the Department will initiate this review process as an opportunity to provide input regarding what the Board's experience has been in order to strengthen the services provided.

MISCELLANEOUS

Medical Reports Draft Rule. Ms. Reneau provided an update regarding the status of the medical reports draft rule language. It is expected that the draft language will be presented to the Boards at the March 2004 meetings.

2003-2005 Biennial Objectives. Ms. Reneau noted that the 2003-2005 Biennial Objectives Update was provided for the Board's information.

Fact Sheet. (Included for the Board's Information.) Ms. Reneau noted that fact sheet for the Employee Reimbursement Account program had been included for the Board's information. New or updated fact sheets are routinely distributed to Board members and are always available on the DETF Internet site.

Possible Special Session. Ms. Reneau informed members that a special session may be necessary for the Employee Trust Funds Board regarding the fixed dividend threshold. She added that if statutory authority to set the threshold is granted to the Board, a special session may be held in February or March 2004. Staff will keep members apprised of the status of the legislation.

Internal Revenue Service Penalty Update. Mr. Weber provided update on the status of the Internal Revenue Service (IRS) audit. He noted that the Department is currently utilizing an IRS Taxpayer Advocate for assistance with an appeal.

Pending Appeals Status Report. (Included for the Board's information.) Ms. Reneau reviewed the update on pending appeals, noting that the ETF Board's pending appeals total is down to 69.

The Board took a break at 9:30 a.m.

MOTION TO CONVENE IN CLOSED SESSION

Ms. Wigdahl announced that the Employee Trust Funds Board would convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations. Ms. Licari, Ms. Walk and Mr. Fusie were invited to remain during the closed session.

Motion: Ms. Kruel moved to convene in closed session, pursuant to the exemptions contained in Wis. Stat. § 19.85 (1) (a) for quasi-judicial deliberations. Ms. Van Bogaert seconded the motion, which passed on a roll call vote.

Members voting aye: J. Brown, T. Fisher, R. Gale, W. Koessl, K. Kreul, I. Macek, W. McCaffery, R. Niendorf, N. Thompson, J. Vincent, C. Van Bogaert, M. Wigdahl

Members voting nay: none

The Employee Trust Funds Board convened in closed session at 9:45 a.m. and reconvened in open session at 10:05 a.m.

ANNOUNCEMENT OF ACTION TAKEN ON BUSINESS DELIBERATED DURING CLOSED SESSION

Ms. Wigdahl announced that the Board took the following action during the closed session:

- **Appeal 2003-045-ETF.** The Board adopted the hearing examiner's proposed final decision.
- **Appeal 2002-053-ETF.** The Board adopted the hearing examiner's proposed final decision with amendments as recommended by legal counsel.
- **Appeal 99-016-ETF.** The Board adopted the hearing examiner's proposed final decision with amendments as recommended by legal counsel.

ADJOURNMENT

Motion: Mr. Brown moved adjournment. Mr. Gale seconded the motion, which passed without objection on a voice vote.

The meeting of the Employee Trust Funds Board adjourned at 10:08 a.m.

Date Approved: _____

Signed: _____

Robert Niendorf, Secretary
Employee Trust Funds Board